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United States Announces \$5.15 Billion Settlement of Litigation Against Subsidiaries of Anadarko Petroleum Corp. to Remedy Fraudulent Conveyance Designed to Evade Environmental Liabilities**More Than \$4.4 Billion to Be Available for Environmental Clean-up and Claims Largest Payment for the Cleanup of Environmental Contamination in History**

WASHINGTON – The United States has entered into a settlement agreement with the Kerr-McGee Corporation and certain of its affiliates ("New Kerr-McGee"), and their parent Anadarko Petroleum Corporation, in a fraudulent conveyance case brought by the United States and co-plaintiff Anadarko Litigation Trust (the "Trust") in the bankruptcy of Tronox Inc. and its subsidiaries (Tronox), announced Deputy Attorney General James Cole, Acting Assistant Attorney General for the Justice Department's Environment and Natural Resource Division Robert G. Dreher, U.S. Attorney for the Southern District of New York Preet Bharara, and U.S. Environmental Protection Agency Assistant Administrator Cynthia Giles.

The bankruptcy court had previously found, in December 2013, that the historic Kerr-McGee Corporation ("Old Kerr-McGee") fraudulently conveyed assets to New Kerr-McGee to evade its debts, including its liability for environmental clean-up at contaminated sites around the country. Pursuant to the settlement agreement, the defendants agree to pay \$5.15 billion to settle the case, of which approximately \$4.4 billion will be paid to fund environmental clean-up and for environmental claims. This is the largest environmental enforcement recovery ever by the Department of Justice.

"Kerr-McGee's businesses all over this country left significant, lasting environmental damage in their wake," said Deputy Attorney General Cole. "It tried to shed its responsibility for this environmental damage and stick the United States taxpayers with the huge cleanup bill. Through a lot of hard work, we uncovered this fraud and recovered over \$5 billion dollars for the American people. This settlement demonstrates the Justice Department's firm commitment to preventing and combating all forms of fraud and to securing environmental justice."

"If you are responsible for 85 years of poisoning the earth, then you are responsible for cleaning it up," said U.S. Attorney Bharara. "That's why this case was brought. And that's why the defendants are paying a record \$5.15 billion -- to fund that colossal cleanup and to make things right. The company tried to keep its rewards and shed its responsibilities by playing a corporate shell game, putting its profitable oil-and-gas business in a new entity and leaving behind a bankrupt shell holding the environmental liabilities of the defunct, polluting lines of business. The company tried to cleanse its valuable business from its toxic legacy liabilities. Now the defendants will pay to cleanse the land and water."

"Today's settlement is a just resolution of an historic injustice to the American people and our environment," said Acting Assistant Attorney General Dreher. "The money recovered will result in clean-ups of a toxic history the Old Kerr-McGee unsuccessfully tried to walk away from."

"EPA's vigorous pursuit of this case will have a big return for communities across the country," said Cynthia Giles, Assistant Administrator for EPA's Office of Enforcement and Compliance Assurance. "Companies that pollute can't escape their responsibility to pay for the cleanup. EPA will continue to fight for those affected by pollution."

The Fraudulent Conveyance

According to the complaints of the government and the litigation trust created to pursue Tronox's fraudulent conveyance claims on behalf its environmental and torts creditors and the Dec. 12, 2013, written opinion of U.S. Bankruptcy Judge Allan L. Gropper:

Old Kerr-McGee operated numerous businesses, which included uranium mining, the processing of radioactive thorium, creosote wood treating, and manufacture of perchlorate, a component of rocket fuel. These operations left contamination across the nation, including radioactive uranium waste across the Navajo Nation; radioactive thorium in Chicago and West Chicago, Illinois; creosote waste in the Northeast, the Midwest, and the South; and perchlorate waste in Nevada.

In the years prior to 2005, Old Kerr-McGee concluded that the liabilities associated with this environmental contamination were a drag on its business, the exploration and production of oil and gas. With the intent of evading these and other liabilities, Old Kerr-McGee created a new corporate entity – defendant New Kerr-McGee – and, through a scheme executed in 2002 and 2005, transferred its valuable oil and gas exploration assets to the new company. The legacy environmental liabilities were left behind in the old company, which was re-named Tronox, and spun off as a separate company in 2006. As a result of these transactions, Tronox was rendered insolvent and unable to pay its environmental and other liabilities. In 2009, Tronox went into bankruptcy.

The United States and the bankruptcy estate (now represented by the Trust) brought this lawsuit to hold the defendants accountable and require them to repay the value of the assets fraudulently conveyed from Old Kerr-McGee.

In its decision, the court found that Old Kerr-McGee transferred assets with the intent to hinder or delay creditors, in particular environmental creditors, and also transferred those assets for less than their fair value, which left Tronox insolvent, unable to pay its debts when they came due, and undercapitalized. Among other things, the court concluded that:

"[T]here can be no dispute that Kerr-McGee acted to free substantially all its assets – certainly its most valuable assets – from 85 years of environmental and tort liabilities."

The Settlement

Under today's settlement agreement, the defendants will pay \$5.15 billion to the trust to settle the fraudulent conveyance case. Pursuant to a 2011 agreement between the United States, certain state, local, and tribal governments, and the bankruptcy estate, approximately 88 percent of the net proceeds of this litigation

will be distributed by the trust to the United States, certain state governments, the Navajo Nation, and environmental trusts created to clean up the contaminated sites. The 2011 settlement agreement provides specific percentages of this funding that will be made available to each site.

As a result of these agreements, some of the key recoveries for environmental claims and for clean-up of environmental sites are estimated to be the following:

- \$1.1 billion will be paid to a trust charged with cleaning up two dozen contaminated sites around the country, including the Kerr-McGee Superfund Site in Columbus, Miss.
- \$1.1 billion will be paid to a trust responsible for cleaning up a former chemical manufacturing site in Nevada that has led to contamination in Lake Mead. Lake Mead feeds into the Colorado River, a major source of drinking water in the Southwest.
- Approximately \$985 million will be paid to U.S. EPA to fund the clean-up of approximately 50 abandoned uranium mines in and around the Navajo Nation, where radioactive waste remains from Kerr-McGee mining operations. Additionally, the Navajo Nation will receive more than \$43 million to address radioactive waste left at the former Kerr-McGee uranium mill in Shiprock, N.M.
- Approximately \$224 million will be paid to U.S. EPA for clean-up of thorium contamination at the Welsbach Superfund Site in Gloucester, N.J.
- Approximately \$217 million will be paid to the federal Superfund in repayment of costs previously incurred by EPA's clean-up of the Federal Creosote Superfund Site in Manville, N.J.

Additional amounts will be paid to the United States, states, Navajo Nation, and environmental trusts for other environmental claims and contaminated sites.

The settlement agreement will be lodged with the U.S. Bankruptcy Court for the Southern District of New York for a period of at least 30 days before it is submitted for the court's approval, in order to provide public notice and to afford members of the public the opportunity to comment on the settlement agreement.

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The litigation of this case was assisted by EPA personnel from around the country; the U.S. Fish & Wildlife Service and Bureau of Land Management of the U.S. Department of the Interior; the National Oceanic and Atmospheric Administration of the U.S. Department of Commerce; the U.S. Nuclear Regulatory Commission; the U.S. Forest Service of the U.S. Department of Agriculture; the U.S. Department of Defense as well as numerous state governments and the Navajo Nation.

This case was handled by Assistant U.S. Attorneys Robert William Yalen and Joseph Pantoja of the Southern District of New York, and by Alan S. Tenenbaum, Katherine Kane, Frederick S. Phillips, Marcello Mollo, and Erica Pencak of the Justice Department's Environment and Natural Resource Division.

The consent decrees are available at the following link: http://www.justice.gov/enrd/Consent_Decrees.html.

Related Materials:

[Fact Sheet](#)

[Settlement Proceeds Chart](#)

[Map](#)

Component(s):

[Office of the Deputy Attorney General](#)

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